Matrix Service Announces Results for Fourth Quarter and Fiscal Year Ended May 31, 2009

Matrix Service Announces Change in Fiscal Year and Provides Guidance for Fiscal 2010

Fourth-Quarter Fiscal 2009 Highlights:
- Revenues were $179.9 million;
- Gross margins were 13.0%;
- Operating income was $11.1 million;
- Fully diluted EPS was $0.26 per share; and
- Backlog was $401.1 million as of May 31, 2009.

Twelve-Month Fiscal 2009 Highlights:
- Revenues were $689.7 million;
- Gross margins were 13.7%;
- Record operating income of $47.3 million; and
- Record fully diluted EPS of $1.16 per share.

TULSA, OK – August 4, 2009 – Matrix Service Co. (Nasdaq: MTRX), a leading industrial services company, today reported its financial results for the fourth quarter and fiscal year ended May 31, 2009.

Fourth Quarter of Fiscal 2009 Results
Net income for the fourth quarter of fiscal 2009 was $6.7 million, or $0.26 per fully diluted share, versus net income in the fourth quarter of fiscal 2008 of $8.9 million, or $0.34 per fully diluted share. Consolidated revenues were $179.9 million in fourth quarter compared to $194.1 million in the fourth quarter of fiscal 2008. The decline in fourth quarter consolidated revenues was the result of a decrease in the Construction Services segment of $20.8 million partially offset by an increase in the Repair and Maintenance Services segment of $6.6 million.

Mike Bradley, chief executive officer stated, “As we expected, the fourth quarter improved significantly from the third quarter due to strong project execution on a higher revenue volume. We are very pleased with these results and proud of the record year achieved by Matrix Service despite the challenging economic environment we encountered for much of the year.”

Revenues for the Construction Services segment were $100.5 million, compared with $121.3 million in the same period a year earlier. The decrease was primarily due to lower Downstream Petroleum revenues, which decreased to $30.0 million in the fourth quarter of fiscal 2009, compared to $43.6 million in the year earlier period, lower Aboveground Storage Tank revenues, which decreased to $40.0 million in the fourth quarter in fiscal 2009, compared to $52.5 million the year earlier period, and lower Specialty revenues, which decreased to $8.7 million in the fourth quarter of fiscal 2009, compared to $17.3 million in the year earlier period, and, partially offset by higher Electrical and Instrumentation revenues, which improved from $7.9 million in fiscal 2008 to $21.8 million in the current period.

Revenues for the Repair and Maintenance Services segment were $79.4 million, compared to $72.8 million in the year earlier period. The improvement was due to higher Downstream Petroleum revenues, which increased to $41.5 million in the fourth quarter of fiscal 2009, compared to $22.4 million in the year earlier period and higher Electrical and Instrumentation revenues, which increased to $7.9 million, compared to $7.4 million in the year earlier period. These were partially offset by lower Aboveground Storage Tank revenues, which decreased from $43.0 million in fiscal 2008 to $30.0 million in the current period.

Consolidated gross profit decreased from $24.0 million in the fourth quarter of fiscal 2008 to $23.3 million in the fourth quarter of fiscal 2009. The decrease was due to a 7.3% decline in consolidated revenues, partially offset by higher gross margins, which improved to 13.0% from 12.3% in the same period of fiscal 2008. The gross margin improvement was due to higher margins in the Construction Services segment, where the gross margin increased to 13.8% in the current fiscal year up from 12.3% in the prior fiscal year. The Repair and Maintenance Services segment gross margins decreased to 12.0% in the current year period compared to 12.5% in the fourth quarter of fiscal 2008.

Consolidated SG&A expenses increased $2.5 million to $12.3 million in the fourth quarter of fiscal 2009 compared to $9.8 million in the fourth quarter of fiscal 2008. The increase was primarily due to the costs of our expansion into Western Canada and the Gulf Coast Region, the acquisition of S.M. Electric Company, Inc. (“SME”) in February 2009, increased professional fees and higher employee related and facility costs incurred to build the infrastructure and sales force necessary to support our long term growth plan. SG&A expense as a percentage of revenue increased to 6.8% in fiscal 2009 compared to 5.0% in the same period of the prior fiscal year due to the increase in expense combined with the $14.2 million decline in revenues.

EBITDA(1) was $14.2 million compared to $16.4 million in the same period last year.
Consolidated backlog as of May 31, 2009 was $401.1 million compared to $452.5 million at the end of the third fiscal quarter. Contributing to the change were awards of $142.4 million and project cancellations of $14.0 million.

Fiscal Year 2009 Results
For the fiscal year ended May 31, 2009, net income grew to $30.6 million, or $1.16 per fully diluted share, up from net income of $21.4 million, or $0.80 per fully diluted share in fiscal 2008. Consolidated revenues were $689.7 million in fiscal 2009, a decrease of $41.6 million from consolidated revenues of $731.3 million in fiscal 2008. The decline in consolidated revenues was the result of a decrease in the Construction Services segment of $60.7 million, offset partially by an increase of $19.1 million in the Repair and Maintenance Services segment.

Revenues for the Construction Services segment were $395.2 million, compared with $455.9 million in the same period a year earlier. The decrease of $60.7 million was primarily due to lower Specialty revenues, which decreased $50.8 million as the construction of the tanks on a Gulf Coast LNG project was completed in the fourth quarter of fiscal 2008. In addition, Aboveground Storage Tank revenues decreased $23.6 million to $177.8 million in fiscal 2009, compared to $201.4 million a year earlier, and Downstream Petroleum revenues decreased $12.2 million to $144.2 million in fiscal 2009, compared to $156.4 million in fiscal 2008. Partially offsetting these declines was higher Electrical and Instrumentation revenues, which increased $25.9 million to $45.9 million in fiscal 2009, compared to $20.0 million a year earlier.

Revenues for the Repair and Maintenance Services segment were $294.5 million in fiscal 2009 compared to $275.4 million in fiscal 2008. The improvement was due to higher Downstream Petroleum revenues, which increased $17.2 million to $106.2 million in fiscal 2009, compared to $89.0 million in the prior fiscal year and higher Electrical and Instrumentation revenues, which increased $3.6 million to $22.0 million in fiscal 2009, compared to $18.4 million in fiscal 2008. These increases were partially offset by lower Aboveground Storage Tank revenues, which decreased $1.7 million to $166.3 million in fiscal 2009 from $168.0 million during fiscal 2008.

Consolidated gross profit increased from $75.1 million in fiscal 2008 to $94.3 million in fiscal 2009. The improvement of $19.2 million or 25.6% was due to higher gross margins, which improved from 10.3% in fiscal 2008 to 13.7% in fiscal 2009. The gross margin improvement was due to higher margins in the Construction Services segment, where the gross margin increased to 12.9% in the current fiscal year up from 7.3% in the prior fiscal year. The Repair and Maintenance Services segment gross margins were 14.7% in fiscal 2009 compared to 15.3% in fiscal 2008.

Consolidated SG&A expenses increased $6.4 million, or 15.8%, in fiscal 2009 to $47.0 million, from $40.6 million for fiscal 2008. The increase was primarily due to the costs of our expansion into Western Canada and the Gulf Coast Region, the SME acquisition, and higher employee related and facility costs incurred to build the infrastructure and sales force necessary to support our long-term growth plan. SG&A expense, as a percentage of revenue, increased to 6.8% in fiscal 2009 compared to 5.6% in fiscal 2008.
EBITDA(1) increased to $59.1 million, from $42.9 million in the same period last year.
Financial Position

During the fourth quarter, the Company increased its cash balance from $22.6 million as of February 28, 2009, to $34.6 million as of May 31, 2009. The Company did not borrow under its $75 million revolving credit facility during the three months and year ended May 31, 2009.

Change in Fiscal Year
On July 30, 2009, the Company's Board of Directors approved a change in the Company's fiscal year end to June 30, effective immediately. In early November, the Company will report operating results for the month ended June 30, 2009 and the quarter ended September 30, 2009.

Earnings Guidance
Mr. Bradley provided the following comments regarding earnings guidance, "We believe the Company is well positioned to manage through the current economic environment and to capitalize on opportunities as the market improves. We also believe that our strong financial position will enable us to pursue strategic acquisitions that arise in this market. With the remainder of calendar 2009 expected to be challenging for both the Construction Services and Repair and Maintenance Services segments, the Company expects to achieve earnings in fiscal 2010 in the range of $0.80 per fully diluted share to $1.10 per fully diluted share. Capital expenditures are expected to be approximately $12 million."

Conference Call Details
In conjunction with the press release, Matrix Service will host a conference call with Michael J. Bradley, president and CEO, and Thomas E. Long, vice president and CFO. The call will take place at 11:00 a.m. (Eastern) / 10:00 a.m. (Central) today and will be simultaneously broadcast live over the Internet at www.matrixservice.com or www.vcall.com. Please allow extra time prior to the call to visit the site and download the streaming media software required to listen to the Internet broadcast. The online archive of the broadcast will be available within one hour of completion of the live call.

1) The Company believes that EBITDA (earnings before interest, income taxes, depreciation and amortization) is used by the financial community as a method of measuring the Company's performance and of evaluating the market value of companies considered to be in similar businesses. EBITDA should not be considered as an alternative to net income or cash provided by operating activities, as defined by accounting principles generally accepted in the United States ("GAAP"). A reconciliation of EBITDA to net income is included at the end of this release.

About Matrix Service Company
Matrix Service Company provides general industrial construction and repair and maintenance services principally to the petroleum, petrochemical, power, bulk storage terminal, pipeline and industrial gas industries.

The Company is headquartered in Tulsa, Oklahoma, with regional operating facilities located in Oklahoma, Texas, California, Michigan, New Jersey, Pennsylvania, Illinois, Washington, and Delaware in the U.S. and in Canada.

This release contains forward-looking statements that are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are generally accompanied by words such as "anticipate," "continues," "expect," "forecast," "outlook," "believe," "estimate," "should" and "will" and words of similar effect that convey future meaning, concerning the Company's operations, economic performance and management's best judgment as to what may occur in the future. Future events involve risks and uncertainties that may cause actual results to differ materially from those we currently anticipate. The actual results for the current and future periods and other corporate developments will depend upon a number of economic, competitive and other influences, including those factors discussed in the “Risk Factors” and “Forward Looking Statements” sections and elsewhere in the Company's reports and filings made from time to time with the Securities and Exchange Commission. Many of these risks and uncertainties are beyond the control of the Company, and any one of which, or a combination of which, could materially and adversely affect the results of the Company's operations and its financial condition. We undertake no obligation to update information contained in this release.

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